

Message Text

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ACTION SS-25

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C O N F I D E N T I A L BUDAPEST 2250

EXDIS

E.O. 11652: GDS
TAGS: ETRD, EEWT, PFOR, HU
SUBJECT: MFN DISCUSSIONS WITH HUNGARIANS

REF: STATE 153358

1. SUMMARY: AT LUNCHEON JULY 6 WELCOMING NYERGES UPON HIS RETURN FROM U.S. I HAD LENGTHY DISCUSSION WITH AMBASSADOR BARTHA (MFA) CONCERNING CURRENT STATE OF PLAY ON MFN QUESTION. BARTHA (PERHAPS AS BARGAINING DLPOINT ONLY) SAID THAT GOH UNLIKELY TO PROVIDE SPECIFIC ASSURANCES OVER AND ABOVE PREVIOUS STATEMENTS (I.E. PUJA SPEECH AND CSCE DISCUSSIONS), AND SUGGESTED THAT USG COULD USE HUNGARIAN BILATERAL CSCE PROPOSAL TO U.S. TO MEET STRICT LEGAL REQUIREMENTS OF TRADE ACT. BARTHA ALSO INDICATED THAT GOH "QUIET PRESSURE" CONCERNING CROWN AND MFN WILL INCREASE IF AMBASSADOR KAISER DOES NOT BRING AN ANSWER ON ONE OF THESE TWO ISSUES WITHIN. END SUMMARY.

2. AS FOLLOWUP TO JANOS NYERGES' (MINISTRY OF FOREIGN TRADE) RECENT VISIT TO WASHINGTON, I INVITED AMBASSADOR BARTHA (MFA) AND NYERGES TO LUNCH JULY 6 TO DISCUSS UOH IMPRESSIONS OF NYERGES' TRIP AND WHERE WE MIGHT GO FROM HERE. ECONOFF ALSO ATTENDED.
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3. BARTHA SPOKE SOMEWHAT MORE DIRECTLY ABOUT MFN POSSIBILITIES THAN DURING PAST MEETINGS. NYERGES, WHILE AS USUAL DOMINATING CONVERSATION, DEFERRED TO BARTHA ON POLITICAL QUESTION OF MFN ASSURANCES. ITIAAS OBVIOUS THAT BARTHA WAS PREPARED TO DISCUSS MFN.

4. BARTHA SAID THAT HE COULD NOT CONCEIVE OF KADAR PROVIDING SPECIFIC ASSURANCES, AS A MATTER OF NATIONAL PRIDE. (BARTHA, NOT I, BROUGHT UP KADAR.) BOTH BARTHA AND NYERGES ASKED POINTEDLY: IF GOH WERE TO PROVIDE ASSURANCES IN A CONFIDENTIAL MANNER, WHAT GUARANTEE CAN THE EXECUTIVE BRANCH OF THE USG GIVE THAT UNDER CONGRESSIONAL QUESTIONING THESE ASSURANCES WOULD REMAIN PRIVATE? FURTHERMORE, IF USG ASKS THAT THREE OR FOUR PARTICULAR POINTS BE INCLUDED IN ANY ASSURANCES PROVIDED, CAN THE USG (EXECUTIVE BRANCH) PROMISE THAT CONGRESS WOULD NOT THEN PLACE A FIFTH DEMAND ON HUNGARY? AND AFTER THAT A SIXTH? THE WHOLE QUESTION APPEARS TO GOH, SAID BARTHA, TO Demean ITS NATIONAL INTERITY.

5. BARTHA ASKED (PERHAPS RHETORICALLY, BUT PERHAPS NOT): QTE LET US SAY THAT I HAVE BEEN ASKED BY THE PRIME MINISTER TO BRIEF HIM ON WHERE WE STAND AND WHERE WE GO FROM HERE. WHAT IS THE NEXT STEP? WHAT IS REQUIRED OF HUNGARY, AND WHAT WOULD YOU RECOMMEND I SAY? UNQTE. THE GOH BELIEVES, SAID BARTHA, THAT NYERGES' VISIT WAS MOST USEFUL IN CLEARING UP SOME TECHNICAL QUESTIONS AND PROVIDING OPPORTUNITY TO DISCUSS TRADE MATTERS WITH SENIOR TREASURYSEPT OFFICIALS. THE VISIT HAD KEPT THE MFN ISSUE ALIVEM DDBUT NOW ONE MUST ASK: WHAT SHOULD BE THE NEXT STEP? CONFIDENTIAL

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6. ACCORDING TO BARTHA GOH WILL NOT IMPROVE UPON WRITTEN ASSURANCES IT HAS ALREADY PROVIDED IN HUNGARIAN BILATERAL CSCE PROPOSAL TO U.S., SPECIFICALLY PARAGRAPH C.4. BARTHA ASKED IF USG COULD NOT USE THIS PARAGRAPH TO MEET LEGAL REQUIREMENTS OF TRADE ACT. ENSUING DISCUSSION COVERED RELATIVE FLEXIBILITY OF CONSTITUTIONAL LAW.

7. NOTE: PARAGRAPH C.4 OF HUNGARIAN PROPOSAL READS, IN ITS ENTIRETY: QTE CONCERNING CASES OF FAMILY UNIFICATION AND EMIGRATION, BOTH PARTIES UNDERTAKE TO ACT IN ACCORDANCE WITH THE LETTER AND SPIRIT OF THE FINAL ACT OF THE CONFERENCE ON SECURITY AND COOPERATION IN EUROPE. UNQTE.

8. BARTHA OPINED (AS HAS GOH IN PAST) THAT PERHAPS STATE DEPARTMENT IS MORE CONSERVATIVE THAN CONGRESS ON ISSUE OF MFN FOR HUNGARY, SINCE NYERGES HAD RECEIVED STRICTER INTERPRETATION OF TRADE ACT REQUIREMENTS FROM DEPARTMENT THAN FROM CONGRESSMAN VANIK, AND SINCE DEPARTMENT HAD SUCCESSFULLY DISSUADED CONGRESSMAN

BINGHAM FROM INTRODUCING SPECIAL LEGISLATION AT THIS TIME. I REBUTTED SECOND ALLEGATION BY DRAWING UPON SCHMIDT-KOVACS DISCUSSIONS IN WASHINGTON, AND NOTED RE FIRST THAT IT IS IMPORTANT THAT ANY PROPOSAL BE WELL THOUGHT OUT AND LIKELY TO BE ACCEPTABLE TO ENTIRE CONGRESS AND NOT JUST TO REPRESENTATIVE VANIK.

9. BARTHA SAID THAT GOH HAS WAITED PATIENTLY FOR CONCRETE ANSWERS TO TWO MOST IMPORTANT OUTSTANDING BILATERAL PROBLEMS (FROM HUNGARIAN VIEWPOINT), AND IT WILL PERSIST IN ITS POLICY OF QUIET DIPLOMACY RATHER THAN PUBLIC PRONOUNCEMENTS. HOWEVER, BARTHA POINTED OUT THAT, AMBASSADOR KAISER, NO MATTER HOW MUCH GOODWILL HE BRINGS TO BUDAPEST, WILL CERTAINLY HAVE A MORE CONFIDENTIAL

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PLEASANT WELCOME IF HE WERE TO BRING AN ANSWER ON AT LEAST ONE OF THESE ISSUES. AMBASSADOR KAISER SHOULD KNOW, BARTHA CONTINUED, THAT GOH WILL RAISE THESE TWO ISSUES IN ALMOST ALL OFFICIAL DISCUSSIONS WITH THE NEW AMBASSADOR.

10. I AGREED WITH BARTHA THAT TIME HAS COME FOR MORE CONCRETE DISCUSSIONS ON MFN. C SUCCESSFULLY, I HOPE, CONVINCED HIM THAT NO STATE DEPARTMENT OFFICIAL IS HOLDING UP MATTER, BUT RATHER, EXAMINING RELATIONSHIP WITH CONGRESS, BECAUSE IT IS NECESSARY TO BE MORE CERTAIN THAN QL NOW ARE OF CONGRESSIONAL APPROVAL OF ANY POSSIBLE INITIATIVE ON THIS SUBJECT. I AGREED TO PASS ON BARTHA'S SUGGESTION THAT USG MIGHT BE ABLE TO UTILIZE PARAGRAPH C.4 OF GOH BILATERAL CSCE PROPOSAL FOR ASSURANCES. (I NOTE THAT PARAGRAPH C.4 COVERS BOTH FAMILY UNIFICATION AND EMIGRATION.)

12. ACTION REQUESTED: THAT DEPARTMENT THOROUGHLY EXPLORE POSSIBILITY OF USING HUNGARIAN BILATERAL CSCE PROPOSAL FOR ASSURANCES REQUIRED BY TRADE ACT OF 1974. FORMER COMMERCE SECRETARY RICHARDSON HINTED TO DEPUTY PRIME MINISTER SZEKER THAT JUST SUCH A STATEMENT MIGHT BE SUFFICIENT IF GOH ACTIONS CONTINUE TO MEET THE SPIRIT OF THE LAW. IF DEPARTMENT DETERMINES THAT THIS IS NOT THE CASE, WE MUST TELL HUNGARIANS WHY NOT AND SPECIFICALLY WHAT IS REQUIRED.
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